

CURRICULUM

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ECONOMICS 30

DEPARTMENT OF EDUCATION
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The Curriculum Branch of the Department of Education hereby acknowledges the work of the following people who constituted the Ad Hoc Committee and contributed to the preparation of this guide:

H. Sherk, Inspector of High Schools, Chairman

B. Duncan, Teacher, Calgary

Dr. G. Farmer, University of Alberta

G. Garbutt, Teacher, Calgary

Dr. S. N. Odynak, Associate Director of Curriculum

W. Pinkney, Teacher, Taber

Dr. T. Powrie, University of Alberta

D. Trace, Teacher, Edmonton

W. Worbets, Inspector of High Schools

R. Morton, Associate Director of Curriculum (Media)

NOTE:

This is a service publication only. Insofar as the content of the Curriculum Guide duplicates the content of that contained in the Senior Program of Studies, the information is prescriptive. The Curriculum Guide contains, as well as content, methods of developing the content, suggestions for use of teaching aids and additional reference books.

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UNIT I

AN INTRODUCTIONPURPOSE:

The Economics 30 course is intended as an introductory survey course to acquaint the student with the broad concepts of economics. The course should be adaptable for average and above average students. It should provide training for citizenship in general; therefore, technical details of economics are ignored as far as possible, while broad concepts and their applications to current problems are emphasized.

As a means of introduction this guide suggests that, for the first few weeks, the students be given a broad picture of our economic system before intensive study of its parts.

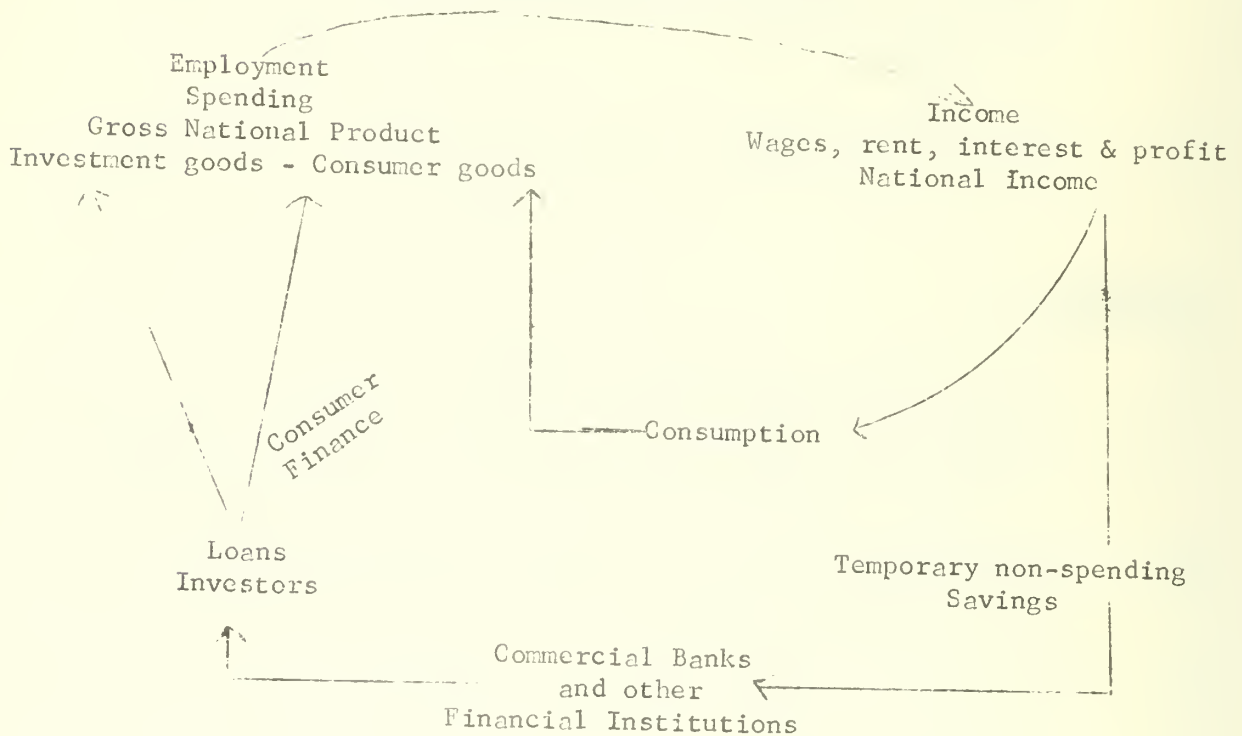
UNDERSTANDINGS:

1. The function of an economic system is to produce food, clothing and shelter and other goods and services (including luxuries if possible) for its members. Individuals specialize in the production of one item and through the medium of money exchange their production for goods they require.
2. Spending and income are two sides of one transaction. Without spending there can be no income; without income there can be no spending.
3. Spending can be of two types: consumption and investment.
4. Income is generated in four basic forms: wages, rent, interest and profit.
5. Total production in Canada is called Gross National Product and total income is called National Income. (Total spending is Gross National Expenditure)
6. Individuals in any period of time do not always spend their income immediately on consumption; therefore, in the following period incomes will fall unless savings are channelled into spending on investment.

7. Commercial or private banks and other financial institutions take the non-spending or saving of the economy and lend it to investors who spend it on investment goods, thus completing the cycle of spending and income.
8. Spending on production of food, clothing and shelter or anything else creates employment and income. Without spending, there can be no employment. When spending declines, unemployment rises.

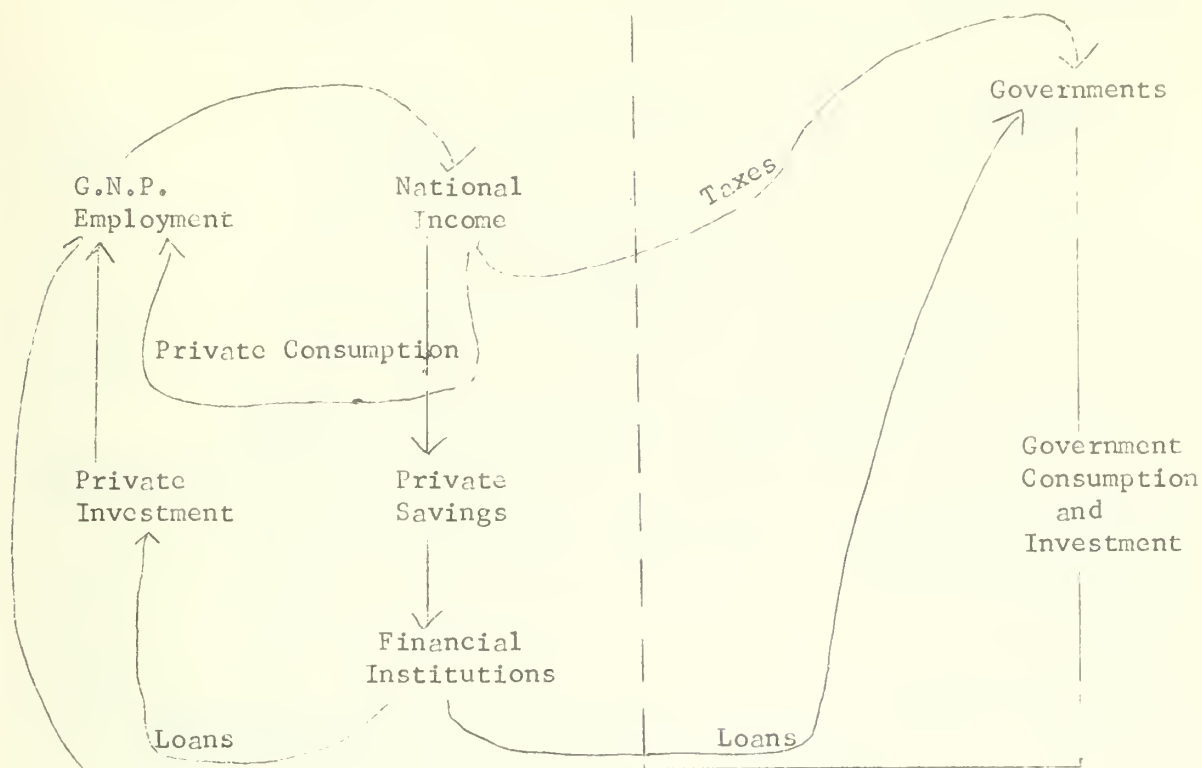
Diagram 1

Illustration on Points 1 to 8



9. Governments at all levels act as consumers and investors and play a decisive role in the flow of spending and income. They take income from individuals in the form of taxes and in turn spend it on goods and services or in transfers of money from one group to another. If spending exceeds income, they borrow money from individuals, banks or financial institutions.

Diagram 2

Condensation of Points 1 - 8Illustration of Point 9

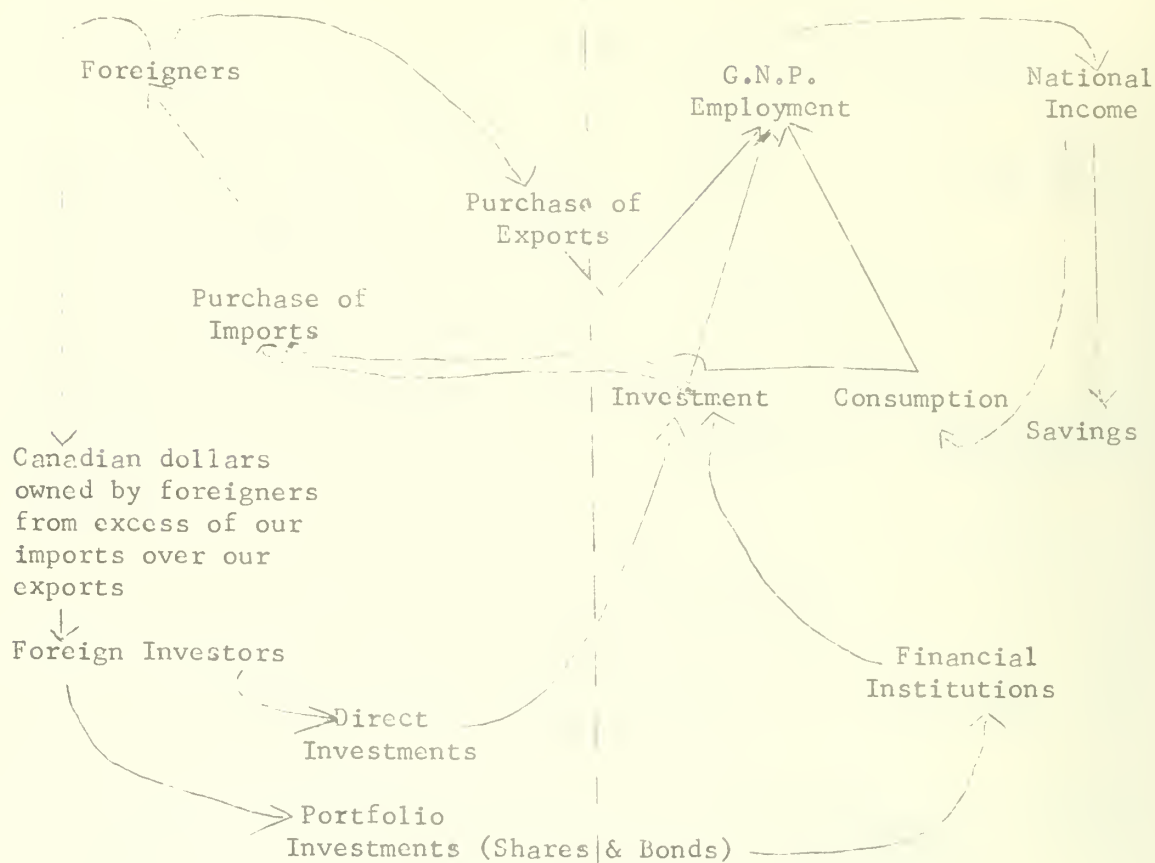
10. One final factor that influences the flow of spending and income is international trade. When we export goods, money flows into the economy creating income and employment. When we import goods, income leaves the economy. The balance of trade is the net flow of goods and services or exports minus imports.

For many years Canada has imported more goods and services than she has exported, so there has been an unfavorable balance of trade with a new outflow of Canadian dollars to pay for these goods and services. Foreign producers who receive this Canadian money sell these funds to foreigners who wish to invest or establish foreign owned businesses in Canada.

Diagram 3

Illustration of Point 10
(Balance of International Payments)

Condensation of Points 1 - 8
Point 9 Omitted



SUGGESTED ACTIVITIES AND DISCUSSION:

1. It should be noted that all the parts of the course which follow can be related to various sectors of the overview. It might be advantageous to return to the models in the introduction before introducing each new unit and again after completing the unit.
2. To illustrate G.N.P., National Income, employment, velocity of money and non-spending (savings), have the student act out an economic system. Assume that all the students have saleable skills. If a student receives a dollar of income, according to the rules of the game, he must spend it with his neighbour within two seconds. Start a dollar with the student in the front corner of the class and allow it to circulate around the class to the back corner of the room and then call a halt to the process. The teacher then asks the following questions:

- (a) All those students (assuming for example there are 35 students) who have spent a dollar on new goods and services in the past 70 seconds hold up your hand. Count the hands and announce that the Gross National Product for the class for the past 70 seconds is \$35.00.
- (b) All those students who have received a dollar in rent, interest, wages or profit in the past 70 seconds, hold up your hand. Count the hands and announce the National Income of the class for the past 70 seconds is \$35.00. Emphasize the relationship of equality between spending and income.
- (c) All students who have been employed during the past 70 seconds hold up your hands. Emphasize the relationship of spending on employment.

Duplicate the procedure of students buying and selling as indicated in the paragraph above but this time have a student in the middle of the class break the rule of the game by not spending (saving) the dollar. Examine the effects on income and employment on the balance of the class.

3. Discuss various reasons for the study of economics.

- (a) Without scarcity there would be no reason to economize or study economics.
- (b) In a specialized (interdependent) economy someone (government) must coordinate production and distribution so that maximum utility is obtained without harm to minorities.
- (c) As most people are probably motivated by economic considerations, an understanding of how our economy operates is necessary for making political decisions in a democracy.
- (d) A knowledge of economic trends is necessary for wise decisions for individuals, companies, industry and governments in consumption and investment.
- (e) Counter-cyclical budgeting (deficits during recession - surplus during prosperity) requires economic statistics to control the growth of the economy.

4. Discuss the role of an economist.
 - (a) Advise governments as to trends in the levels of production and distribution and to advise on solutions or measures to achieve political objectives.
 - (b) Teach at all levels of education.
 - (c) Advise industry on policy dealing with markets, production investment and trends in the economy.
 - (d) Do research for governments on growth and economic development.
 - (e) Do independent research.
5. How are recommendations by economists implemented?
 - i. Their function is to advise. Implementation rests with politicians, management or public opinion.
6. What groups in society use the advice of economists?
 - i. Students, management, governments, labor and politicians.
7. Identify economic problems faced by Canadians at the present time. Point out that the course might offer information pertaining to these problems.

UNIT II

MONEY AND BANKING

PURPOSE:

To develop an understanding of the structure of the Canadian Banking System and its functions in our economy. (Monetary policy is treated in another section.)

UNDERSTANDINGS:

1. Money is anything accepted as a medium of exchange (replacing the barter system) and a standard of value.
2. Money in Canada is coinage, paper currency, and deposits subject to chequing.
3. Approximately ninety percent of Canadian business is carried on through chequing.
4. Inflation is rising prices. (The causes and cures of inflation are partly to be found in the monetary system and will be dealt with in another section.) Inflation creates discrepancies between real income and money income.
5. The consumer price index is the most widely known measure for changes in prices. To understand changes in the consumer price index one must look at the composition and weighting of the goods and services used in it.
6. The federal government through the Bank of Canada controls the quantity of money. As a crown corporation, the Bank of Canada has a degree of independence in its actions, but the government has ultimate responsibility for and control over it.
7. The Bank of Canada controls the quantity of money by controlling the quantity of cash reserves held by commercial banks.
8. The reserve ratio of commercial banks is calculated on deposit liabilities. (As of January 1, 1968, the reserve ratio is no longer 8%. It is 4% on demand deposits and 12% on notice deposits, an average of about $6\frac{1}{2}\%$).
9. The quantity of money may affect the level of business activity either through a direct impact on the amount of spending (quantity theory of money) or through changing interest rates and thus investor's decisions or both.

10. Bond prices and interest rates are inversely related.
11. Gold is relevant to international finance but has no bearing on the domestic supply of money.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. View and discuss the filmstrip entitled "The Story of Banking in Canada" which is available from The Canadian Bankers' Association, 275 St. James Street, W., Montreal, P.Q.
2. Read the booklet "The Story of Canada's Currency" which is available from The Bank of Canada.
3. Illustrate the relationships among velocity of money, quantity of money, and gross national income by circulating a few one dollar bills through the class and by asking appropriate questions in order to explain these concepts.
4. Discuss the problem of counterfeiting.
5. Have one or more students talk to a bank manager, and prepare a report on different types of loans made to individuals and to business firms, covering: security pledged, annual interest rate, term of the loan; repayment in installments or as a lump sum.
6. Discuss whether depositing money with a credit union or a trust company has any advantages or disadvantages as compared to depositing in a bank.
7. What are the inadequacies of the Consumer Price Index of changes in the cost of living?

Guide for discussion.

What are the inadequacies of the Consumer Price Index as a measure of changes in cost of living? (e.g. choice and weighting of the sample items may not be representative of actual across-the-board changes in living costs. The present-day "basket of goods" cannot be compared exactly with the 1949 "basket" since some products are altered and quality changes do occur. Examples of new products: T.V. sets and frozen foods. Changes in quality occur in autos each year.)

8. Calculate the purchasing value of a consumer's dollar in ten years' time, as compared to today's value, if there were to be an annual increase in Consumer Price Index of 4%.

9. Discuss whether banks should all be owned by the government.
10. Discuss "Would you prefer to have our dollar bills backed by gold?"
11. Discuss the process and difficulties of starting a new chartered bank in Canada. Use Bank of Western Canada and Bank of British Columbia as illustrations.

UNIT IIINATIONAL ACCOUNTS AND THE BUSINESS CYCLEPURPOSE:

To understand how national income is measured, why there are fluctuations in the level of economic activity and how these fluctuations may be modified through fiscal and monetary policy.

UNDERSTANDINGS:

1. Gross national product is a statistical measure of a nation's production.
2. There are fluctuations in a nation's production, employment of labor and other resources, and the general price level.
3. Spending by one individual means income for another.
4. Spending is of two types: consumption and investment.
5. Fluctuations in consumption and investment explain the fluctuations in a nation's production, employment of labor and other resources, and the general price level.
6. The level of consumption depends on the level of income, distribution of income, and certain psychological attitudes of consumers.
7. The level of investment depends on interest rates, supply of money, inventions, rate of profit, resource discoveries, foreign investment, psychological attitudes of businessmen, etc.
8. Government may, by its fiscal and monetary policies influence consumer and investment spending and thus even out the fluctuations in a nation's production, employment of labor and other resources, and the general price level.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. In Canada we have three levels of government and many governments. Only the federal government is responsible for national fiscal and monetary policy. Discuss how the other levels of government could frustrate the federal level of government in its national fiscal and monetary policy.

2. Prepare reports describing the local effects of the last great depression.
3. Discuss the possible effects of the most recent federal government budget on employment.
4. Discuss the effects that government monetary and fiscal policy may have on your community, e.g. changing the bank rate, withdrawal of \$500.00 incentive bonus for building homes during the winter months.
5. Discuss the stage of the business cycle that we are presently experiencing, giving evidence to support your opinion.

Teacher's note

Refer to indicators as outlined by the text.

UNIT IV
PUBLIC FINANCE

PURPOSE:

To understand how the different levels of government obtain and spend money. (One federal, ten provincial and thousands of local governments.)

UNDERSTANDINGS:

1. Government spending on collective consumption and welfare is increasing.
2. Assuming full utilization of human and material resources, the production of goods and services in a country cannot be increased. Therefore increased government consumption will result in decreased private consumption, e.g. wartime spending.
3. There are four main sources of government revenue -- taxes, bank loans, individual loans and bank note printing presses.
4. Our tax structure, being regressive in some ways and progressive in others, reflects our economic and political philosophy in regard to redistribution of income.
5. Increased financial responsibility of the local and provincial governments, unaccompanied by increased tax revenue and a broader tax base, has necessitated the transfer of some income from the federal government.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss the income and expenditures of your local governments. Point out the limited tax base available to local governments and the problems encountered by these governments when they try to provide a high standard of education and other services for their population.
2. Discuss the federal and provincial incomes and expenditures. Reference can be made to the B.N.A. Act and the allocation of taxation powers between the provincial and federal governments. Federal grants to the provinces should also be noted.

3. Have the students investigate the reasons behind gross inflation in countries such as Brazil, or Germany after World War I.
4. Discuss the incidence or economic consequence of taxes on an individual. Who ultimately pays the many taxes? Reference can be made to the sales tax, import duties, excise tax, corporate tax, income tax and succession duties.
5. Examine the implications of taxation and government spending on the level of spending and income of the economy, using the diagram on page 3, point 9, in the introduction to this guide.

UNIT VSOCIAL SERVICESPURPOSE:

To identify the nature of social services and to recognize problems involved in their application and possible solutions.

UNDERSTANDINGS:

1. A variety of attitudes have existed towards poverty in the past.
2. Governments have taken, as one of their functions, the extension of social services.
3. It is agreed that governments should provide some social services; however, there is disagreement as to the extent and type of services that should be offered.
4. Strong attitudes exist towards social welfare.
5. Social welfare payments are not a long-term solution. The ideal must be to put an individual in a position to provide for his own welfare.
6. Social services result in a redistribution of income within a country.
7. Unemployment is a waste that cannot be recovered: not only is it a direct loss of output, but also a loss in terms of welfare payments required.
8. Social services in Canada are of many diverse types.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Should those receiving social welfare have to do some type of work for the money received?
2. A majority of Canadians have shared in Canada's prosperity. Should they feel obligated to help their less fortunate countrymen by financing public assistance programs?
3. Should need be proven by a means test before any type of public assistance is handed out?
4. Is unemployment insurance collected by many who do not deserve it?
5. Should any class of income recipients be exempt from paying unemployment insurance?

UNIT VI
DISTRIBUTION OF INCOME

PURPOSE:

To realize how income is distributed and the effect this distribution has on economic activity.

UNDERSTANDINGS:

1. People have various levels of income because of various circumstances:
 - (a) Education may have an effect on a person's level of income.
 - (b) The value others put on a person's productivity may determine his income.
 - (c) The personal characteristics of an individual may determine his income, e.g., sex, race, ambition, etc.
2. Differences in income have been decreased by governments.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss the factors that inhibit the movement of people from low income areas to high income areas.
 - (a) Define area as geographic and economic.
 - (b) Property taxes are not directly based on ability to pay.
 - (c) Low income housing is generally located close to factories.
 - (d) Transportation costs tend to inhibit movement of labor.
 - (e) Sale of homes is not easy.
 - (f) Better jobs require better education.
 - (g) It is said, "It's not what you know, it's who you know in seeking better jobs".
 - (h) Consumer goods industries tend to be more stable while paying less than capital goods industries.
 - (i) Public education involves economic costs beyond educational taxes.

2. Discuss the question: "Should women be paid as much as men?"
 - (a) In a market economy, price determines the income to the factors of production.
 - (b) Demand and supply determines income between the factors of production.
 - (c) Income to individual units of labor is determined by marginal productivity.
 - (d) Long run stability of staff is regarded by management as an asset.
 - (e) Experience increases productivity: results in higher income.
 - (f) Equality of income, regardless of productivity, age, colour, or sex, is a political issue and economics does not offer a solution.
3. Discuss what would happen to the amount and composition of consumer expenditure if income were evenly distributed.
 - (a) Even distribution of income would increase consumption.
 - (b) Demand for lower quality goods would increase.
 - (c) Savings would decrease and therefore a lower level of investment would be required for full employment.
 - (d) A lower level of investment would mean a lower but more even growth rate.
 - (e) Full employment and a continuously expanding economy would result.

UNIT VIIDEMAND AND SUPPLYPURPOSE:

To understand the relationship between market conditions and prices.

Note to the Teacher

The material on supply is a first approximation of this topic which is more fully developed in the section on policies of the individual firm. The emphasis should be on an understanding of the concept rather than mathematical computation. Diagrams, however, may be used to advantage.

UNDERSTANDINGS:

1. In Western society, the general philosophy in regard to the market is that "the consumer is king".
2. The behaviour of consumers toward a product can be summarized, in a simplified way, in a demand schedule or demand curve.
3. Consumer behaviour is influenced by, among other things, his knowledge of a product, conspicuous consumption and advertising. E.g. advertising tends to make demand less elastic.
4. The anticipation of demand induces profit-seeking businessmen to organize production of a product.
5. The behaviour of producers of a product can be summarized in a simplified way, in a supply schedule or supply curve.
6. An important complication of producer behaviour arises from fixed costs. These large and long-run commitments make adjustments more difficult.
7. Another important complication affecting producer behaviour is the possibility of administered prices when firms are big.
8. The interaction of producers and consumers gives the price and quantity traded in a market.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss: Is the demand for any product fixed at any given time?
2. Would the total revenue of the city transit system increase or decrease if fares were increased?
3. "The consumer is king". Discuss this statement, bearing in mind the influence of advertising, and the dominance of a few large concerns in some basic products (e.g. iron ore, automobiles).
4. Discuss governmental influence on supply and demand through subsidies or floor prices (e.g. floor price for butter, subsidies to coal producers). Should taxpayers be asked to subsidize an uneconomic industry?
5. If the world market price were very low and storage space was available, should the Canadian Wheat Board refuse to sell at today's prices and store all or part of this year's wheat crop, in the expectation of getting better prices next year?
6. Discuss how long it would take to increase supply of various products in order to meet a visible demand, e.g. beef, automobiles, crude oil, pulp products, raw rubber, turkeys, orchard products.

UNIT VIII

THE BUSINESS UNIT

PURPOSE:

To examine and understand the types of business units and the advantages and disadvantages of each.

UNDERSTANDINGS:

1. There are several forms of business organization ranging from proprietorships to corporations.
2. Each business form has its own peculiar advantages and disadvantages. These should be considered from each of several viewpoints - that of the firm itself, that of individuals involved in the firm or dealing with it, and that of society at large. Possible conflicts should be identified.
3. The corporation is the dominant form of business, mainly because it is best able to raise large amounts of money for financing.
4. Corporations raise money by selling bonds and shares.
5. There are advantages and disadvantages in being shareholders in corporations, depending on the type of shareholder and the size of the corporation.
6. The stock market provides a meeting place for buyers and sellers of previously issued shares. The stock market is not the place for the raising of capital.
7. There are different types of stock markets with different sets of standards. Also, many shares (including some of the riskiest ones) are traded outside of stock markets altogether.
8. There are several kinds of structures of industry ranging from monopoly to perfect competition. Advantages and disadvantages of each should be considered.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Follow the financial pages of daily newspapers for a period of time. Discuss the implications of fluctuations of the Dow Jones stock prices on the economic activity of the nation.

2. Discuss the income tax advantages of incorporation.
3. Have a broker speak to the students. (It is suggested that a teacher outline a problem area for discussion.)
4. Examine share and bond certificates and discuss advantages and disadvantages of the various types. Specimens may be procured from stockbrokers.
5. Examine the Alberta Gazette in connection with notices of incorporation.
6. Examine the possibilities of setting up a Junior Achievement Club through the Chamber of Commerce.

UNIT IXPOLICIES OF THE INDIVIDUAL FIRMPURPOSE:

To acquire an understanding of:

- (a) how and why individual firms in the business world make certain decisions about price, output, advertising, growth rate of the firm, product differentiation, costs and profits;
- (b) why Canada has difficulty in moving into secondary industry. Students should also appreciate the kind of problems facing underdeveloped countries.

UNDERSTANDINGS:

1. Firms may have different objectives. For example: maximum profit, maximum share of the market, maximum rate of growth, maximum security for relatives, etc. and the objectives will influence that firm's policies.
2. Different firms have different conditions under which they operate, e.g., number and strength of competitors, transportation difficulties, size of potential markets, (domestic and international), etc., relationship of fixed and variable costs and exchange rates, etc.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss the influence of industry structure and costs structure as they pertain to rates schedules for either railways or airlines.
 - (a) Where competition doesn't exist, rate schedules are regulated by the government.
 - (b) Airlines are vulnerable to obsolescence. Therefore, capital costs have to be recovered in a short period of time.
 - (c) All forms of transportation are fixed cost intensive, therefore the recovery of capital costs is a major factor in the price.

- (d) Potential traffic at any given time is relatively fixed, therefore, the number of carriers is the major factor in the cost of determination.

2. Set up a theoretical example in the manufacture of automobiles differentiating between fixed costs of plant and equipment and variable costs. Draw out the relationship of quantity on the reduction of fixed costs and the converse relationship of variable costs on increased quantity.

ASSUMPTION:

Assume that equipment, tools dies and depreciation costs are \$4 million. This cost remains the same whether one car or one million cars are produced.

COST SCHEDULE:

Quantity	Total	Production	Marginal	Total	Production	Level
	Fixed	Level		Variable	Level	Total
	Cost	Fixed	Fixed	Cost	Variable	Unit
		Cost	Cost		Cost	Cost
1	\$4 mil.	\$4 mil.		\$ 4,000	\$4,000	\$4,004,000
100	"	40,000	\$3.96 mil.	80,000	800	40,800
1,000	"	4,000	36,000	500,000	500	4,500
10,000	"	400	3,600	6 mil.	600	1,000
100,000	"	40	360	79 mil.	790	830
1,000,000	"	4	36	904 mil.	904	908

NOTE:

- (a) The unit fixed cost decreases with every increase in output but the amount of the unit cost decrease gets smaller as quantity increases.
- (b) The variable unit costs (labour, etc.) decrease with increased production as a result of division of labour. As production increases the unit variable costs turn upward after the production level of 1,000 as a result of inefficiencies (supervision, duplication and weight of numbers).

- (c) The decrease in unit fixed costs at the 100,000 production level offsets any increase in unit variable costs. However at the one million production level, the unit total cost increases.
 - (d) The level of production is determined by the size of the domestic plus the foreign markets. Unless the market offers a sufficient level of production, optimum level of output cannot be achieved.
 - (e) The relationship between fixed and variable costs and the optimum market level applies to all industries that have high initial fixed costs. (Primary industry, farming, mining and transportation.)
3. Why do firms advertise? (To increase demand and to make demand inelastic).
4. Discuss the economic cost of advertising.
- (a) The spending for the economy at any particular time is relatively fixed thus advertising tends only to shift buying from one commodity to another.
 - (b) Apart from introducing new commodities, advertising tends to increase costs.

Note to the Teacher

The question of diminishing returns can effectively be taught by de-emphasizing the mathematical interpretation in favor of a verbal statement of the essential point: that factors of production are most effectively used in balanced proportion, without extreme amounts of any one factor.

However, in regard to marginal analysis of revenue and costs, it should be remembered that this is only a technical aspect of maximizing profits. With regard to marginal analysis, businessmen who wish to maximize profits will not put into use an additional unit of any factor of production if the revenue from that additional unit does not cover the cost.

UNIT XINTERNATIONAL TRADEPURPOSE:

To appreciate the effects of international trade on a country's economy and a person's standard of living.

UNDERSTANDINGS:

1. The exchange rate is the price of foreign currency.
2. The price of foreign currency is determined by the demand for and the supply of it.
3. The demand for foreign currency arises from imports of goods and services and from outflows of foreign capital.
4. The supply of foreign currency arises from exports of goods and services and from inflows of foreign capital.
5. All these transactions creating demand and supply are the results of decisions by millions of people and are not the result of consolidated government planning.
6. Almost every government, including the Canadian, regulates the exchange rate under agreement with the International Monetary Fund.
7. The exchange of exports and imports increases a country's standard of living in a way explained by the law of comparative advantage.
8. The law of comparative advantage alone suggests that there be no tariffs, but at the same time there are arguments for tariffs such as achieving full employment, industrialization, etc.
9. International investment may improve the effectiveness of the use of the world's resources, but it may carry political and economic problems for countries receiving it.
10. Since 1945, international trade has been greatly increased as a result of GATT, ERP and the Common Market.
11. Canada's trade position has certain peculiarities; for example, highly capitalized export industries; moderate domestic market as a base for manufacturers; imports are manufactured goods largely from the United States, etc.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss the effects of tourism.
 - (a) Foreign tourists travelling in Canada constitute a source of foreign currency (export) for Canada, while Canadians travelling abroad drain our supply of foreign currency (import).
 - (b) Foreign tourists in Canada not only stimulate business in areas affiliated with the tourist trade, but indirectly through spending affect the entire economy.
 - (c) Statistics from the Canada Year Book can be used to support points brought out in the discussion.
2. Discuss how international trade helps your own local area. Particular reference can be made to local tourist facilities and to export industries (e.g. oil and gas, livestock, wheat, and sugar beets.)
3. Discuss how an unstable or stable political situation in the Middle East might affect Canada's oil production. Reference could be made to a possible situation where increased export of Western Canadian oil to the United States would free that country from large imports of oil from Venezuela. Venezuela then could be used as an alternative oil supplier for Western Europe. (Transportation costs would just about eliminate Alberta oil from the Western European market.)
4. Discuss the resulting consequences of greatly increased protective tariffs on industrial goods coming into Canada from the viewpoint of:
 - (a) Canadian industrialists.
 - (b) Canadian farmers.

The discussion should indicate that both imports and exports would be affected. Prices on the industrial goods would increase, resulting in a lower standard of living for consumers, e.g. farmers.
5. Discuss the advantages and disadvantages to Canada of Britain's entering the European Common Market. (Such a move would result in a disruption of current trade patterns, e.g. agricultural products, and other basic industries.)
6. Should the United States and Canada form a free trade area?

UNIT XIPERSONAL FINANCESPURPOSE:

To realize that individuals must manage their limited income carefully to obtain the greatest benefit in terms of both immediate and long-term goals for themselves and their families.

UNDERSTANDINGS:

1. Even for necessities such as food, shelter, and clothing, there are choices available in the type and cost.
2. Some income may be left after the necessities are paid for, and choices must be made between present "luxuries" and savings for future needs or benefits.
3. During a person's earning period, his spending requirements will vary with the size and needs of his family.
4. Insurance offers both protection and long-term saving. Several types of insurance are available to suit different needs. Other methods of long-term savings are also available, each with advantages and disadvantages as compared to insurance.
5. Many families cannot pay in cash for major purchases and require borrowed money or financing help. The interest costs are a substantial portion of the total cost. Therefore, the full interest cost should be understood by the buyer, and alternative financing sources considered.
6. Long-term financing commits future income.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Have students keep a record of all money paid out directly for their needs, by themselves for a month. What other expenses should be included to make this record complete?
2. Have the students draw up a possible budget. Have them check it with their parents to see if the figures are realistic.
3. Have the students investigate the cost of borrowing for the purchase of an automobile from banks, credit unions, automobile financing companies, and personal loan companies.

4. Suggest that students draw up an outline of realistic costs for buying and operating a car. Considering their normal travel patterns, would it be cheaper for them to use the transit system, with occasional use of taxis or U-Drives for out-of-the-way trips? Also consider the costs of leasing a car on a yearly basis.
5. Encourage the students to find the costs and the future return under the Canada Pension Plan or any other pension plan. What possible needs are not covered by each plan?
6. Provide an opportunity for students to examine the implications of consumer finance on the level of spending and income of the economy using the diagram on page 2, points 1 - 8 in the introduction to this guide.
7. Discuss the effect of price inflation on insurance as a long-term form of saving.
8. Investigate the cost of financing a house purchase on a long-term basis at current mortgage rates.
9. The federal government has opened a Department of Consumer Affairs. Discuss its role. Also discuss the interest-disclosure regulations of the provincial government. (Consumer Credit Branch of Treasury Department has a pamphlet, "Using Your Credit", consider this, and also other pamphlets.)

UNIT XIILABOURPURPOSE:

To increase awareness of the problems facing the worker because of the interdependent nature of our economy, and the problems relating to mobility, security, and productivity.

UNDERSTANDINGS:

1. For centuries, efforts have been made to devise theories about the proper wage for workers.
2. Unions often have three levels of organization: local, national and international, each with a common goal but with a different role.
3. Collective bargaining is carried out within a legal framework.
4. Labour's share (wage) of the price obtained for the product will depend on the relative supply and demand of the four factors of production, (land, labour, capital and entrepreneurship).

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Is collective bargaining the most effective and natural method of conducting management-employee relations, and settling their differences?
2. Do unions with their national associations have a strong economic and political influence in both Canada and the United States?
3. Do American unions through their international connections exert a considerable influence in Canadian affairs?
4. Do unions carry out their internal affairs in a democratic manner?
5. Do unions protect the worker and guarantee him a degree of security?
6. Are not some workers restricted by their union in that they could negotiate a better salary for themselves?

7. If education were entirely free of economic cost in a perfect market, what effect would it have on the distribution of income?
8. Do unions try to improve labour's working conditions by reducing competition in the labour market through collective bargaining in industry and trade?
9. Should all groups of workers, including policemen, firemen and other civil servants, be allowed the right to strike?
10. Are professional associations glorified unions? (Doctors, lawyers, teachers, etc.)
11. Should union funds be used to defend union officials who are being prosecuted?
12. Should union funds be used to support political parties?

UNIT XIIIAGRICULTUREPURPOSE:

To appreciate the position agriculture has in our economy and its importance as a major primary industry. Agriculture is of particular importance to the economy of Western Canada.

UNDERSTANDINGS:

1. In Canadian agriculture labour is becoming less important while capital equipment is becoming more important.
2. The future of agriculture is uncertain. In the short run we may expect greater mechanization and larger farms. In the long run intensive farming techniques may be used.
3. The effective demand for food is inelastic. Effective demand for particular types of food is elastic.
4. The supply of farm produce is fairly inelastic, especially over a short period of time.
5. Without cooperative marketing facilities, either publicly or privately sponsored, prices of agricultural products are unstable. This can be illustrated through the use of demand and supply.
6. There are many examples of collective marketing action in Canadian agriculture. They all attempt to stabilize agricultural prices.
7. Agricultural products have often been subjected to government support prices or government price ceilings. Demand and supply curves can be used to illustrate the economic principles involved and the problems encountered when the government tampers with the laws of demand and supply.
8. The problem of competition for land use is largely unresolved in Canada. Urban sprawl in many areas is forcing agriculture to give way to factories and apartment blocks, etc.
9. Market conditions do not reflect the growing need for food in the world. There are millions of hungry people, but they are too poor to buy food. The basic problem of poverty has not been solved.

10. Despite the decline in the number of agriculture workers, the output has continued to increase because of a great increase in output per worker.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Have the students prepare reports on:
 - (a) A comparison between present agriculture on the prairies with that of the Atlantic provinces, emphasizing the different factors of production used and the different problems that are encountered.
 - (b) A comparison of factors of production markets, etc. in the prairie farm economy of the early 1900's and the present.
 - (c) A comparison of the Canadian prairie farm economy and an intensive farm economy, as is found in Japan. (The relative cost of the factors of production is the vital point to be examined.)
2. Discuss the future of agriculture in Canada in the light of probable population increases throughout the world, and possible improvement in agricultural output in undeveloped countries.
3. Discuss the influence on the stability of prices and production in agriculture resulting from the establishment of surplus food banks and the implementation of forward pricing. (For example, the food bank could buy and sell any commodity at a fixed price for a period of two years.)
4. Discuss the role of the family farm in the agricultural community (economy).
5. Discuss the value of marketing boards for farm produce.

UNIT XIVFORMS OF ECONOMIC ORGANIZATIONPURPOSE:

To develop an understanding of some similarities and differences in approaches to economic problems followed by economic systems of today.

UNDERSTANDINGS:

1. All governments exercise some degree of control over economic developments within their countries in an attempt to solve the problems of scarcity.
2. The names "Capitalism", "Communism", "Socialism" and "Fascism" are used as labels for economic systems which stress differing types of controls over economic factors such as: ownership of property; distribution of produced goods; setting priorities for production of goods, including directing of labor and other factors of production to produce priority goods.
3. The labelled forms of economic organization do not exist in "pure" form anywhere in the world. In practical situations, each system frequently blends in ideas advocated by other systems.
4. One method of comparison of economic systems is to examine their stated economic objectives whether they are realized or not.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss existing government economic regulations in Canada which would have been labelled "socialistic" fifty years ago. (Family Allowances, Canada Pension Plan, Unemployment Insurance, Workmen's Compensation Plan, etc.)
2. Discuss proposed economic regulations or controls which are advocated prominently today. (Guaranteed Annual Salary, Student's Allowances, etc.)
3. Discuss some activities typical of "capitalism" which are present in countries considered "communist". Discuss why they were introduced. (Incentive bonuses to increase production.)

4. Outline some situations in Canada where a state-directed project might offer a more prompt or effective development. (Peace River Power Project, Development of the Northland, Iron and Coal Industries in the Maritimes.)
5. Evaluate the progress made by India and China in solving their economic problems. (It would appear that India is striving for short-term gains whereas China has ignored short-term benefits and emphasizes accumulating capital now for future gains in productivity. Should this generation suffer in order that future generations may benefit?)

UNIT XVUNDERDEVELOPED COUNTRIESPURPOSE:

To develop an understanding of the economic problems faced by two-thirds of the population of the world and of the need for finding solutions. Ultimately peace and security of the world rests on our success in meeting these problems. It should be understood that the problems are more than economic. They involve the other disciplines of geography, political science and sociology.

UNDERSTANDINGS:

1. The ultimate productive unit is that of food. Food is used to support production of capital (such as education and machinery), which alone can increase production of food and other basic necessities.
2. Underdeveloped countries do not produce enough food to feed their people adequately.
3. The source of food or converted capital must come from:
 - (a) Denial of current demand for food in order that savings may be invested to improve food production.
 - (b) Private foreign capital at a political and economic price.
 - (c) Foreign government loans.
 - (d) Loans from international agencies such as the International Bank.
4. Denial of current demand is impractical for most underdeveloped countries which are already at subsistence level.
5. Private foreign capital involves the question of domination of their industry by foreigners who are interested in taking some part of future productivity for themselves. It also may involve future loss of sovereignty.
6. Loans from foreign governments may have political strings attached as they tend to reflect the position as outlined in point five of the political persuasion of the donor.

7. Loans from international agencies are probably the most acceptable but members are not prepared at the present time to provide anywhere near the required amount of money to these agencies. This reflects in part the conflict of nationalism and international capitalism.
8. Underdeveloped countries are concentrated in Asia, Africa and South American. The problem of underdevelopment exists in regions of the more industrialized countries of the west. Impediments to production of food are not only inability to produce capital, but in many countries involve the question of land reform and education in modern techniques of production.
9. Changes in customs, religion, and population could affect economic progress.

SUGGESTED ACTIVITIES AND DISCUSSION:

1. Discuss the problem of an illiterate person who is told by his friends that he must increase his productivity (income). Is there a parallel between individuals and countries?
 - (a) Increased productivity requires skill and energy.
 - (b) A person who is illiterate is caught in the vicious circle of poverty. To obtain educational capital, income is required; to obtain income, education is required.
 - (c) Individuals or countries lacking food and capital face the same vicious circle of poverty.
2. What is the role of institutions and governments in production? Are any shortages artificial?
 - (a) Institutions may seek to influence output directly or indirectly. (Chambers of Commerce, Trade Associations, Cartels).
 - (b) A monopolist will produce to the point where marginal revenue equals marginal cost. Under perfectly competitive conditions output would increase to the point where average revenue is equal to average cost.
 - (c) There is an incentive for producer groups to control quantity and maintain price.
 - (d) Competition in production may produce waste. (Service stations, etc.)

- (e) A government usually subordinates its policy toward foreign trade to its larger political goals, and international trade may thus be restricted and some benefits of specialization lost. (E.g. France's attitude to Britain's entry into E.E.C.).
3. Should foreign aid programs be directed by the United Nations or by sponsoring nations?
- (a) Foreign aid might be detrimental to both the giver and the receiver.
 - (b) The country with excess capital is in a position to blackmail the receiving country to take other trade products or modify political decisions.
 - (c) Aid may be provided for political or economic considerations rather than need.
 - (d) U.N. should not be under political pressure and the aid may therefore be distributed on the basis of need.
4. Select an underdeveloped country or region and discuss its economy and means of improving the existing circumstances.
- (a) Surplus of food is imperative for growth.
 - (b) Surplus food generates capital.
 - (c) Knowledge and skills are capital and represent economic costs expended in the past.
 - (d) Capital goods are made from knowledge, labour and nature.
 - (e) Leisure is an economic good without which there can be no culture.
5. Discuss the implications of the following situation as to surplus, capital and culture.
- A man is shipwrecked on a small island which has a few fruit trees. He finds it necessary to work 16 hours each day in order to produce enough food for one day. He requires 8 hours sleep in order to maintain his strength.

He observes one day that some wood has drifted in to his island and reasons (using his educational capital) that if he could only take off a day from producing, he could make a ladder and reduce his work day to 8 hours. He decides to go without lunch for 3 days and store his surplus food. On the fourth day he does not produce but consumes his store of surplus food and builds the ladder. The next day he uses the ladder and produces enough food in 8 hours. Now he has 8 hours of leisure which he can use to produce more surplus (capital), build an escape raft or become a philosopher.

APPENDIX A

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 - b. The Gross National Product
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 - e. Taxes and Government Spending
 - f. International Trade
 - g. Capitalism, Communism, and Socialism
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 - b. Capitalism, Communism, Socialism
 - c. Our Labor Force
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Legislative Buildings, Edmonton

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Available from the: Federal Reserve Bank of Philadelphia
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Philadelphia, Pa. 19101.

13. An Introduction to Economics - Six Talks for CBC Radio

(Queen's Printer's Bookshop, 499 Portage Avenue, Winnipeg,
Manitoba).

14. Presenting the "Your Canada" Series

Available from: The Public Relations Department,
Toronto-Dominion Bank, 55 King Street West, Toronto.

APPENDIX B

MEDIA

UNIT I	Introduction	
	T-1055	Basic Elements of Production
	P-1368	Basic Economics Concepts
UNIT II	Money and Banking	
	Tk-1316	Money in Your Pocket (Paper Currency)
	T-653	Story of Money
	P-1372	Money, Prices and Interest
	P-1373	Banking and Monetary Control
	Pk-1146	Career in Canadian Banking
	A-5109	Money Minters (Canadian Mint)
UNIT III	National Accounts and the Business Cycle	
	P-1375	Business Cycles and Fiscal Policy
	P-1377	Profit and Equilibrium
UNIT IV	Public Finance	
	P-1369	National Income I
	P-1370	National Income II
UNIT V	Social Service	
UNIT VI	Distribution of Income	
UNIT VII	Demand and Supply	
	P-1376	Supply and Demand
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	Tk-1179	Competition & Big Business

UNIT IX	Policies of Individual Firms																
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T-1018	Pattern of Co-operation (Co-ops in Denmark)																
T-865	Rising Tide (Co-op in Maritimes)																
UNIT XV	Underdeveloped Countries (See Social Studies 30 Guide)																

The following films may be ordered by title:

The Need for Economic Education
The Anatomy of Free Enterprise
Foreign Trade-Challenge of a Changing World
Everyday Economic Terms
Productivity - Key to Progress
Profits, Capital, Equipment and Economic Growth
Competition in Business
Industrial Canada
Installment Buying
What is Business?
What is Money?

HB 74-9 C2 A3115 1968
ALBERTA DEPT OF EDUCATION
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